

Registered No: 2582534

Arrow Electronics (UK) Limited

Report and Financial Statements

31 December 2014

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COMPANIES HOUSE

Directors

P J Reilly
P S Brown (resigned 31st Dec 2014)
J A Ward
G P Tarpinian (appointed 31st Dec 2014)

Secretary

F Kjellgren (resigned 15th Jul 2015)
P Ewing (appointed 15th Jul 2015)

Auditors

Ernst & Young LLP
400 Capability Green
Luton
Bedfordshire
LU1 3LU

Bankers

HSBC Bank Plc
Poultry
London
EC2P 2BX

Solicitors

Herbert Smith
Exchange House
Primrose Street
London
EC2A 2HS

Registered office

London Road Campus
London Road
Harlow
Essex
CM17 9NA

Strategic Report

The directors present their strategic report for the year ended 31 December 2014.

Results and dividends

The net profit for the year after taxation amounted to £6,406,000 (2013: profit of £5,393,000) after dividend income of £nil (2013: £2,826,000) and after exceptional income of £2,061,000 (2013: exceptional costs of £558,000). The directors do not recommend the payment of any dividends.

During 2014, a waiver of intercompany loans resulted in a gain of £2,195,000 (2013: £nil). This is shown as an exceptional item in note 3 to the Financial Statements.

During 2013, the Nu Horizons Electronics Ltd subsidiary paid a dividend of £2,826,000 to Arrow Electronics (UK) Limited. During 2013, the two Nu Horizons subsidiaries were dissolved.

Review of the business

Turnover increased in 2014 from 2013 by 9%. Gross margin percentage decreased slightly in 2014 from 13.3% to 12.8%. Distribution and administration costs reduced by 6.0% and decreased as a percentage of sales from 10.5% to 9.0% (before reorganisation costs, dividend income and intercompany loan waivers). Operating profit compared to sales (including gains from waiver of intercompany loans) increased in 2014 from 2.4% to 5.2%. Operating profit compared to sales (excluding gains from waiver of intercompany loans) increased in 2014 from 2.4% to 3.7%.

Profit and Loss Variances

| | 2014 £'000 | 2013 £'000 | Percentage change % |
|--|---------------|---------------|------------------------|
| Sales | 144,811 | 133,113 | 8.8 |
| Gross profit | 18,562 | 17,658 | 5.1 |
| Operating profit (excluding loan waiver gains) | 5,337 | 3,177 | 68.0 |
| Net profit on ordinary activities after tax (excluding dividend income, excluding loan waiver gains) | 4,211 | 2,567 | 64.1 |

Future developments

Though there is still some uncertainty, the outlook for 2015 is for a small level of growth in the market and expectations are that the business will see similar growth.

Risks and uncertainties

Competitive risks – In the UK there are a range of companies in direct competition. Whilst the company is not immune to the threats from competitors, it is better placed than many to both resist these threats and to win business from existing and new customers. A number of factors give the company a competitive advantage, including the available franchises, service and support, competitive pricing and industry expertise.

Legislative risks – there are a number of legislative risks including the following: Pollution and chemical legislation on product content such as RoHS, country imposed restrictions for sales to certain industries, border controls enforcing delays to transactions and trade controls on product preventing or limiting sales. None of these risks are considered to have a potential major impact on the company and they are managed in the normal course of business.

Financial instrument risks - The company has an established risk and financial management framework where the primary objective is to protect the company from events that hinder the achievement of the company's performance objectives. The objectives aim to limit undue counterparty exposure, ensure sufficient working capital exists and to monitor the management of risk on an on-going basis.

Use of derivatives – The company uses forward foreign currency contracts to reduce exposure to the

Strategic Report (continued)

Use of derivatives (continued)

variability of foreign exchange rates. This is done through a series of globally managed ongoing contracts.

Exposure to price, credit, liquidity and cashflow risk

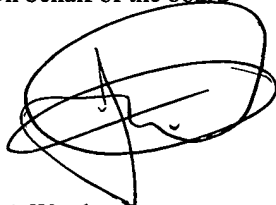
Price risk arises on financial instruments because of changes in, for example, commodity prices or equity prices. The company does not hold any equity investments.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for another party, by failing to discharge an obligation. Company policies are aimed at minimising such losses, and require that open credit and deferred terms are only granted to customers who demonstrate an appropriate payment history and satisfy credit worthiness procedures. Details of the company's debtors are shown in note 15 to the financial statements.

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The company aims to mitigate liquidity risk by managing cash generation by its operating activities, managing available cash appropriately and applying cash targets where relevant.

Cashflow risk is the risk of exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability, such as future interest payments on a variable rate debt. The company manages this risk by the use of the activities listed above, including derivatives and liquidity risk management which are coordinated by other group companies.

On behalf of the board



J A Ward
Director

9 SEPT 2015

Directors' Report

The directors present their report and financial statements for the year ended 31 December 2014.

Principal activity

The principal activity of the company during the year continued to be the distribution of electronic and electrical, equipment and accessories to industry.

Directors

The directors who served the company during the year were as follows:

J A Ward
P J Reilly
P S Brown (resigned 31st Dec 2014)
G P Tarpinian (appointed 31st Dec 2014)

None of the directors of the company had any disclosable interest in the shares of the company or any other UK group company at any time during the year.

Disabled employees

It is the company's policy that disabled persons are treated fairly and consistently in terms of recruitment, training, career development and promotion and that their employment opportunities should be based on a realistic assessment of their aptitudes and abilities.

Wherever possible the company will continue the employment of persons who become disabled during the course of their employment with the company through retraining, acquisition of special aids and equipment or the provision of suitable alternative employment.

Employee involvement

The company believes that to achieve excellent customer service its employees should be well informed about company plans and performance and have the opportunity to discuss their performance regularly with their manager.

Therefore the company is committed to providing all its employees with information on a regular basis and to encouraging their participation in schemes where they will benefit from the company's progress and profitability. In addition, it is intended that all employees discuss their individual performance with their managers at least on an annual basis with the objective of identifying how their performance can be improved.

Donations

During the year, the company made charitable donations totalling £1,260 (2013: £1,638).

Creditor payment policy

It is the company's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the company and its suppliers, provided that all trading terms and conditions have been complied with.

At 31 December 2014 the company had an average of 29 days (2013: 29 days) purchases outstanding in trade creditors.

Directors' Report (continued)

Going Concern

The activities of the company, together with the factors likely to affect its future development, its financial position, financial risk management objectives, details of its financial instruments and derivative activities, and its exposure to price, credit, liquidity and cashflow risk are described in the review of the business on pages 2 to 3.

The company is a subsidiary of a large global corporation, and both individually and as part of the global group it has significant long term trading relationships with a number of customers and suppliers across different geographic areas and technologies. The company has significant cash and financial resources both as a company within a UK group of companies, and as part of a global corporation. As a consequence, the directors believe that the company is well placed to manage its business risk successfully.

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Directors' statement as to disclosure of information to auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the Company's auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is unaware of that information.

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

By order of the board



P Ewing (appointed 15th Jul 2015)
Secretary

9 SEPT 2015

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report

to the members of Arrow Electronics (UK) Limited

We have audited the financial statements of Arrow Electronics (UK) Limited for the year ended 31 December 2014 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 25. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

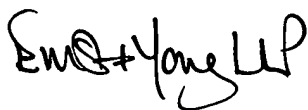
Independent auditors' report (continued)

to the members of Arrow Electronics (UK) Limited

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Juliet Thomas (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
Luton

14/9/15

Profit and loss account

for the year ended 31 December 2014

| | Notes | 2014 £'000 | 2013 £'000 |
|--|-------|----------------|----------------|
| Turnover | 2 | 144,811 | 133,133 |
| Cost of sales | | <u>126,249</u> | <u>115,475</u> |
| Gross profit | | 18,562 | 17,658 |
| Distribution costs | | 11,571 | 12,142 |
| Administrative expenses: | | | |
| Before exceptional items | | 1,520 | 1,781 |
| Exceptional items | 3 | <u>(2,061)</u> | <u>558</u> |
| Total administrative expenses | | <u>(541)</u> | <u>2,339</u> |
| Operating profit | 4 | <u>7,532</u> | <u>3,177</u> |
| Interest receivable and similar income | 8 | 75 | 82 |
| Interest payable and similar charges | 9 | <u>(74)</u> | <u>(145)</u> |
| | | 1 | (63) |
| Dividend income | 10 | <u>-</u> | <u>2,826</u> |
| Profit on ordinary activities before taxation | | 7,533 | 5,940 |
| Tax on profit on ordinary activities | 11 | <u>(1,127)</u> | <u>(547)</u> |
| Profit for the financial year | 23 | <u>6,406</u> | <u>5,393</u> |

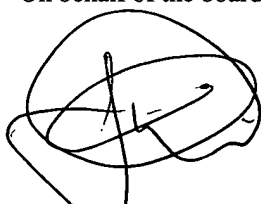
There were no recognised gains and losses for the current or prior year other than the profit (2013: profit) for the year which is derived from continuing activities.

Balance sheet

at 31 December 2014

| | Notes | 2014 £000 | 2013 £000 |
|--|-------|----------------|----------------|
| Fixed assets | | | |
| Goodwill | 13 | 1,382 | - |
| Tangible assets | 14 | 1,781 | 1,753 |
| | | <u>3,163</u> | <u>1,753</u> |
| Current assets | | | |
| Debtors | 15 | 91,325 | 92,127 |
| Cash at bank | | 27,116 | 20,786 |
| | | <u>118,441</u> | <u>112,913</u> |
| Creditors: amounts falling due within one year | 16 | 37,305 | 37,168 |
| Net current assets | | <u>81,136</u> | <u>75,745</u> |
| Total assets less current liabilities | | <u>84,299</u> | <u>77,498</u> |
| Creditors: amounts falling due after more than one year | 17 | 36,586 | 36,586 |
| Provisions for liabilities and charges | 19 | 411 | 525 |
| | | <u>47,302</u> | <u>40,387</u> |
| Capital and reserves | | | |
| Called up share capital | 22 | 5,500 | 5,500 |
| Share premium account | 23 | 16,500 | 16,500 |
| Profit and loss account | 23 | 20,732 | 14,326 |
| Equity reserve | 23 | 4,570 | 4,061 |
| Equity shareholders' funds | 23 | <u>47,302</u> | <u>40,387</u> |

On behalf of the board



J A Ward
Director

9 SEPT 2015

Notes to the financial statements

at 31 December 2014

1. Accounting policies

Basis of preparation

The financial statements are prepared under the historical cost convention, and in accordance with applicable accounting standards.

The accounting reference date of the company is 31 December.

Consolidated accounts

The directors have taken advantage of the exemption from preparing group accounts. This exemption is available to the company under section 401 of the Companies Act 2006. The company is a wholly owned subsidiary of its immediate parent company, Arrow Electronics UK Holding Limited and is included in the consolidated financial statements of its ultimate parent company, Arrow Electronics Inc whose accounts are publicly available, see note 25 for further details. Accordingly the accounts presented herein have been prepared on a company only basis.

Cash flow statement

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (revised) from including a cash flow statement in the financial statements on the grounds that the company is a wholly owned subsidiary of Arrow Electronics Inc., and the operating cash flows of the company are included in the consolidated cash flow statement of Arrow Electronics Inc.

Related party transactions

The company is a wholly owned subsidiary of Arrow Electronics UK Holding Limited, which is the domestic ultimate parent company of Arrow Electronics (UK) Limited. The ultimate parent company is Arrow Electronics Inc., which is incorporated in the USA and the consolidated accounts of which are publicly available.

Accordingly, the company has taken advantage of the exemption in FRS 8 from disclosing transactions with related parties of the Arrow Electronics group.

Fixed assets

All fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Such cost includes costs directly attributable to making the asset capable of operating as intended.

Depreciation

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost of each asset evenly over its expected useful life, as follows:

| | |
|------------------------------|--|
| Freehold property | - 20 years |
| Short leasehold improvements | - the shorter of 20 years or the life of the lease |
| Equipment and motor vehicles | - 2 to 15 years |

The carrying values of tangible fixed assets are reviewed for impairment in periods when events or changes in circumstances indicate the carrying value may not be recoverable.

Amortisation

Amortisation is provided on all intangible assets at rates calculated to write off the cost of each asset evenly over its expected useful life, as follows:

| | |
|----------|------------|
| Goodwill | - 10 years |
|----------|------------|

The carrying values of intangible assets are reviewed for impairment in periods when events or changes in circumstances indicate the carrying value may not be recoverable.

Provisions

A provision is recognised when the company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. Where material, provisions are discounted using an appropriate rate.

Notes to the financial statements

at 31 December 2014

1. Accounting policies (continued)

Revenue recognition

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on dispatch of the goods.

Dividend income is recognised by the company when payment is made by subsidiary undertakings.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exception:

- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Share based payments

Arrow Electronics Inc maintains the group 2004 Omnibus Incentive Plan, which replaced all prior employee stock plans. The plan permits the grant of cash-based awards, non qualified stock options, incentive stock options, stock appreciation rights, restricted stock units, performance shares, performance units, covered employee annual incentive awards and other stock-based awards. The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. Fair value is determined by means of Black-Scholes option pricing model. No expense is recognised for awards that do not ultimately vest.

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired. The movement in cumulative expenses since the previous balance sheet date is recognised in the profit and loss account with a corresponding entry in equity.

The company has taken advantage of the transitional provisions of FRS20 in respect of equity-settled awards so as to apply FRS20 only to those equity-settled awards granted after November 2002 that had not vested before 1 January 2006.

Where the terms of an equity-settled award are modified or a new award is designated as replacing a cancelled or settled award, the cost based on the original award terms continues to be recognised over the original vesting period. In addition, an expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of modification. No reduction is recognised if this difference is negative.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction, or at the contracted rate if the transaction is covered by a forward currency contract.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date or if appropriate at the forward currency rate.

All differences are taken to the profit and loss account.

Operating lease agreements

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

Notes to the financial statements

at 31 December 2014

1. Accounting policies (continued)

Pension costs

The company operates a group personal pension plan to which the company contributes. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the plan.

2. Turnover

Turnover represents sales invoiced to customers, net of discounts, excluding value added tax. Turnover is attributable to one continuing activity, the distribution of electronic and electrical equipment and accessories to industry.

Turnover is attributed to goods sold almost exclusively within the UK with minimal goods being sold within Ireland and mainland Europe.

3. Exceptional items

| | 2014 £000 | 2013 £000 |
|---|--------------|--------------|
| Recognised in arriving at operating profit: | | |
| Intercompany Loan Waivers | (2,195) | - |
| Reorganisation Costs | 133 | 558 |

2014

Gains have arisen as a result of loan waivers from the fellow enterprise Nu Horizons Electronics Corp and from the subsidiary Nu Horizons Electronics Ltd (now dissolved).

Reorganisation costs comprise acquisition costs and incremental costs associated with sites closed prior to 2013.

2013

Reorganisation costs comprise a revision of onerous costs associated with the Bedford site, personnel restructuring, and incremental costs associated with sites closed prior to 2013.

4. Operating profit

This is stated after charging:

| | 2014 £000 | 2013 £000 |
|--|--------------|--------------|
| Auditors' remuneration – audit services | 31 | 35 |
| Loss on foreign exchange | 503 | 167 |
| Depreciation of owned fixed assets | 356 | 335 |
| Amortisation of goodwill | 35 | - |
| Operating lease rentals - land and buildings | 473 | 350 |
| - plant and machinery | 339 | 407 |
| Share based payments | 509 | 721 |

Notes to the financial statements

at 31 December 2014

5. Staff costs

| | 2014 £000 | 2013 £000 |
|-------------------------------|---------------|---------------|
| Wages and salaries | 15,593 | 14,925 |
| Social security costs | 2,146 | 2,003 |
| Other pension costs (note 18) | 734 | 593 |
| | <u>18,473</u> | <u>17,521</u> |

The monthly average number of employees in the UK during the year was as follows:

| | 2014 No. | 2013 No. |
|-----------|-------------|-------------|
| Directors | 1 | 1 |
| Staff | 364 | 364 |
| | <u>365</u> | <u>365</u> |

6. Directors' emoluments

| | 2014 £000 | 2013 £000 |
|---|--------------|--------------|
| Emoluments | <u>212</u> | <u>196</u> |
| Value of company pension contributions to pension plans | <u>-</u> | <u>-</u> |
| | <u>-</u> | <u>-</u> |
| | 2014 No. | 2013 No. |
| Number of directors who exercised share options | 1 | 1 |
| Number of directors who were members of pension plans | <u>-</u> | <u>-</u> |

Other directors' emoluments are borne by fellow Arrow Electronics Inc. group companies as these directors are also directors or officers of a number of companies within the group. These directors' services to the company do not occupy a significant amount of their time. As such, these directors do not consider that they have received any remuneration for their incidental services to the company.

Notes to the financial statements

at 31 December 2014

7. Share based payments

2004 Omnibus Incentive Plan Awards.

Arrow Electronics Inc maintains the group 2004 Omnibus Incentive Plan, which replaced all prior employee stock plans. The plan permits the grant of cash-based awards, non qualified stock options, incentive stock options, stock appreciation rights, restricted stock units, performance shares, performance units, covered employee annual incentive awards and other stock-based awards. The exercise price for options cannot be less than the fair market value of Arrow's common stock on the date of grant.

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movement in, the group 2004 omnibus incentive plan share options during the year.

| | 2014 No | 2014 WAEP | 2013 No | 2013 WAEP |
|-----------------------------------|------------|--------------|------------|--------------|
| Outstanding as at 1 January | 33,677 | \$37.09 | 48,356 | \$32.92 |
| Granted during the year | 10,977 | \$56.71 | 9,560 | \$41.56 |
| Exercised during the year | (8,699) | \$32.08 | (24,239) | \$29.78 |
| Forfeited/expired during the year | - | - | - | - |
| Outstanding at 31 December | 35,955 | \$44.29 | 33,677 | \$37.09 |
| Exercisable at 31 December | 13,268 | | 13,487 | |

The range of exercise prices for options outstanding at year end was \$26.90 to \$56.71 (2013: \$16.82 to \$41.56).

Performance Share Awards

The ultimate parent company has granted a specific number of performance shares to certain key members of management. The employees are able to earn between 0% and 200% of these shares based on the company's financial performance over a 3 year cycle beginning in the January of the year of the award. Performance shares are awarded at the conclusion of the performance period.

The following table illustrates the number and weighted average fair value at the measurement date (WAFV) of, and movement in, the performance share awards during the year.

| | 2014 No | 2014 WAFV | 2013 No | 2013 WAFV |
|-----------------------------|------------|--------------|------------|--------------|
| Outstanding as at 1 January | 32,589 | \$39.90 | 58,787 | \$31.56 |
| Granted during the year | 12,293 | \$56.71 | 15,686 | \$41.56 |
| Exercised during the year | (16,582) | \$38.69 | (41,313) | \$24.51 |
| Forfeited during the year | - | - | (571) | \$39.33 |
| Outstanding at 31 December | 28,300 | \$46.15 | 32,589 | \$39.90 |

The directors consider that the fair value of performance shares equates to the market price of shares in the ultimate parent company on the date of the award.

Notes to the financial statements

at 31 December 2014

7. Share based payments (continued)

Restricted Share Awards

During the year, the ultimate parent company has granted a specific number of restricted stock units to certain key members of management to incentivise them to remain with the Group. These units vest over a four year period in four equal tranches on the anniversary of the award date. On vesting, each unit is settled by delivery of one share of Common Stock.

The following table illustrates the number and weighted average fair value at the measurement date (WAFV) of, and movement in, the performance share awards during the year.

| | 2014 No | 2014 WAFV | 2013 No | 2013 WAFV |
|-----------------------------|------------|--------------|------------|--------------|
| Outstanding as at 1 January | 19,386 | \$38.37 | 29,807 | \$33.24 |
| Granted during the year | 5,586 | \$56.71 | 7,196 | \$41.56 |
| Exercised during the year | (8,825) | \$35.96 | (17,155) | \$27.92 |
| Forfeited during the year | - | - | (462) | \$36.78 |
| Outstanding at 31 December | 16,147 | \$46.04 | 19,386 | \$38.37 |

The directors consider that the fair value of restricted stock units equates to the market price of shares in the ultimate parent company on the date of the award.

The expense as calculated in accordance with FRS20 is set out in note 4.

The fair value of share options granted were determined using the Black-Scholes option pricing model. The following principal assumptions were used in the valuation:

| | 2014 | 2013 |
|------------------------------|---------|---------|
| Share price at date of grant | \$56.71 | \$41.56 |
| Risk free interest rate | 1.6% | 1.0% |
| Expected life (in years) | 5.29 | 5.40 |
| Expected volatility | 37.24% | 40.73% |
| Expected dividend yield | - | - |

Volatility is measured using historical daily price changes of the company's common stock over the expected term of the option.

The expected life represents the weighted average period the option is expected to be outstanding and is based primarily on the historical exercise behaviour of employees.

The risk-free interest rate is based on the U.S. Treasury zero-coupon yield with a maturity that approximates the expected term of the option.

8. Interest receivable and similar items

| | 2014 £000 | 2013 £000 |
|---------------------------|--------------|--------------|
| Bank interest receivable | 75 | 81 |
| Other interest receivable | - | 1 |
| | <u>75</u> | <u>82</u> |

Notes to the financial statements

at 31 December 2014

9. Interest payable and similar charges

| | 2014 £000 | 2013 £000 |
|------------------------|--------------|--------------|
| Bank interest payable | 48 | 71 |
| Other interest payable | 26 | 74 |
| | <u>74</u> | <u>145</u> |

10. Dividend Income

During the year there was no dividend income. In 2013, Arrow Electronics (UK) Limited recognised income representing a dividend of £2,826,231 declared by its subsidiary Nu Horizons Electronics Limited in October 2012.

11. Tax

(a) Tax on profit on ordinary activities

The tax charge is made up as follows:

| | 2014 £000 | 2013 £000 |
|--|--------------|--------------|
| <i>Current tax:</i> | | |
| UK corporation tax | 1,047 | 440 |
| Total current tax (note 11(b)) | <u>1,047</u> | <u>440</u> |
| <i>Deferred tax:</i> | | |
| Origination and reversal of timing differences | | |
| Current period | 90 | 57 |
| Rate change | (5) | 52 |
| Prior period | (5) | (2) |
| | <u>1,127</u> | <u>547</u> |
| Tax on profit on ordinary activities | <u>1,127</u> | <u>547</u> |

(b) Factors affecting current tax charge

| | 2014 £000 | 2013 £000 |
|---|--------------|--------------|
| Profit on activities before taxation | <u>7,533</u> | <u>5,940</u> |
| Profit on activities multiplied by the standard rate of corporation tax of 21.5% (2013: 23.25%) | 1,619 | 1,381 |
| Expenses not deductible for tax purposes | 36 | 24 |
| Exempt dividend income | - | (657) |
| Income not taxable | (366) | - |
| Accelerated capital allowances | (78) | (82) |
| Group relief | (184) | (204) |
| Other timing differences | - | 36 |
| Prior Year Adjustment | 20 | (58) |
| | <u>1,047</u> | <u>440</u> |
| Total current tax | <u>1,047</u> | <u>440</u> |

Notes to the financial statements

at 31 December 2014

11. Tax (continued)

(c) Deferred tax

The deferred tax asset included in the balance sheet is as follows:

| | <i>2014</i> <i>£000</i> | <i>2013</i> <i>£000</i> |
|-------------------------------|----------------------------|----------------------------|
| Included in debtors (note 15) | <u>215</u> | <u>295</u> |

Deferred taxation provided in the financial statements is as follows:

| | <i>2014</i> <i>Provided</i> <i>£000</i> | <i>2013</i> <i>Provided</i> <i>£000</i> |
|---|---|---|
| Depreciation in advance of capital allowances | 100 | 167 |
| Other timing differences | <u>115</u> | <u>128</u> |
| Deferred tax asset | <u>215</u> | <u>295</u> |

Roll forward of deferred tax:

| | <i>£000</i> |
|---|-------------|
| Balance brought forward at 1 January 2014 | 295 |
| Current period | (90) |
| Prior period | 10 |
| Balance carried forward at 31 December 2014 | <u>215</u> |

(d) Factors affecting current tax charge

The Chancellor announced in the 2013 budget that the main rate of UK Corporation Tax is to be reduced to 21% from 1 April 2014 and 20% from 1 April 2015. Finance Act 2013 received Royal Assent on 17 July 2013, with the rates being substantively enacted from 2 July 2013.

As the legislation was substantively enacted by the balance sheet date, the closing deferred tax balances have been calculated at 20%.

The deferred tax asset has been recognised on the basis of the company's previous and current performance.

Notes to the financial statements

at 31 December 2014

12. Investments

The company has an investment in the following subsidiaries, which relate to a 100% holding of ordinary shares and are wholly owned and incorporated in England and Wales.

| | |
|------------------------|---|
| Richardson RFPD UK Ltd | – Distribution of electronic components |
| Arrow Electronics Ltd | – Dormant, never traded |

The cost of these investments is £1.

The company placed the following subsidiaries through a member's voluntary process that completed in December 2013. The subsidiaries were subsequently dissolved in April 2014.

| | |
|------------------------------------|-----------------------|
| Nu Horizons Electronics Europe Ltd | – Holding company |
| Nu Horizons Electronics Ltd | – Non trading company |

The cost of these investments was £1.

13. Intangible assets

| | <i>Goodwill £000</i> | <i>Total £000</i> |
|--------------------------|--------------------------|-----------------------|
| Cost: | | |
| At 1 January 2014 | - | - |
| Additions | 1,417 | 1,417 |
| Disposals | - | - |
| At 31 December 2014 | <u>1,417</u> | <u>1,417</u> |
| Amortisation: | | |
| At 1 January 2014 | - | - |
| Provided during the year | 35 | 35 |
| Disposals | - | - |
| At 31 December 2014 | <u>35</u> | <u>35</u> |
| Net book value: | | |
| At 31 December 2013 | <u>-</u> | <u>-</u> |
| At 31 December 2014 | <u>1,382</u> | <u>1,382</u> |

Goodwill has arisen on an acquisition of business from Ultimate Renaissance Limited, a company registered in the UK.

Notes to the financial statements

at 31 December 2014

14. Tangible fixed assets

| | <i>Short leasehold improvements £000</i> | <i>Equipment and motor vehicles £000</i> | <i>Total £000</i> |
|--------------------------|--|--|-----------------------|
| Cost: | | | |
| At 1 January 2014 | 1,817 | 1,430 | 3,247 |
| Additions | 18 | 366 | 384 |
| Disposals | - | - | - |
| At 31 December 2014 | <u>1,835</u> | <u>1,796</u> | <u>3,631</u> |
| Depreciation: | | | |
| At 1 January 2014 | 775 | 719 | 1,494 |
| Provided during the year | 118 | 238 | 356 |
| Disposals | - | - | - |
| At 31 December 2014 | <u>893</u> | <u>957</u> | <u>1,850</u> |
| Net book value: | | | |
| At 31 December 2013 | <u>1,042</u> | <u>711</u> | <u>1,753</u> |
| At 31 December 2014 | <u>942</u> | <u>839</u> | <u>1,781</u> |

15. Debtors

| | <i>2014 £000</i> | <i>2013 £000</i> |
|------------------------------------|----------------------|----------------------|
| Trade debtors | 36,100 | 34,588 |
| Amounts owed by group undertakings | 54,407 | 56,388 |
| Prepayments and accrued income | 603 | 856 |
| Deferred tax (note 11(c)) | 215 | 295 |
| | <u>91,325</u> | <u>92,127</u> |

16. Creditors: amounts falling due within one year

| | <i>2014 £000</i> | <i>2013 £000</i> |
|------------------------------------|----------------------|----------------------|
| Bank overdraft | 10,573 | 8,260 |
| Trade creditors | 578 | 675 |
| Other creditors | 4 | - |
| Amounts owed to group undertakings | 19,098 | 22,819 |
| Other taxation and social security | 4,180 | 2,940 |
| Accruals and deferred income | 2,872 | 2,474 |
| | <u>37,305</u> | <u>37,168</u> |

17. Creditors: amounts falling due after more than one year

| | <i>2014 £000</i> | <i>2013 £000</i> |
|------------------------------------|----------------------|----------------------|
| Amounts owed to group undertakings | <u>36,586</u> | <u>36,586</u> |

Notes to the financial statements

at 31 December 2014

18. Pensions

The company operates a Group Personal Pension Plan along with a Salary Sacrifice Scheme. The pension cost charge represents contributions payable by the company to the employees' individual policies and amounted to £734,000 (2013: £593,000).

The unpaid contributions outstanding at the year end, included in 'Accruals and deferred income' (note 16) are £113,000 (2013: £108,000).

19. Provisions for liabilities and charges

| | £000 |
|-------------------------|------------|
| At 1 January 2014 | 525 |
| Arising during the year | 133 |
| Utilised in the year | (247) |
| At 31 December 2014 | <u>411</u> |

At 31 December 2014 the provision represents onerous lease costs for a previously restructured property that is now part sublet.

Refer to Note 3 – Exceptional items.

20. Commitments under operating leases

At 31 December 2014 the company had annual commitments under non-cancellable operating leases as set out below:

| | 2014 | | 2013 | |
|--------------------------------|-------------------------------|--------------|-------------------------------|--------------|
| | <i>Land and buildings</i> | <i>Other</i> | <i>Land and buildings</i> | <i>Other</i> |
| | £000 | £000 | £000 | £000 |
| Operating leases which expire: | | | | |
| Within one year | 57 | 85 | - | 102 |
| In two to five years | 354 | 254 | 305 | 305 |
| In over five years | 272 | - | 272 | - |
| | <u>683</u> | <u>339</u> | <u>577</u> | <u>407</u> |

21. Related party transactions

The company has taken advantage of the exemptions available to subsidiary undertakings under FRS 8 by not disclosing transactions with entities of the group qualifying as related parties. There are no other related party transactions requiring disclosure.

Notes to the financial statements

at 31 December 2014

25. Ultimate parent company

Arrow Electronics (UK) Limited is a 100% subsidiary of Arrow Electronics UK Holding Limited, which is the domestic ultimate parent company of Arrow Electronics (UK) Limited.

The parent undertaking of the smallest group of undertakings for which the group accounts are drawn up and of which the company is a member is Arrow Electronics Emeasa S.R.L., A company established in Italy.

The parent undertaking of the largest group of undertakings for which the group accounts are drawn up and of which the company is a member is Arrow Electronics Inc, incorporated in the USA who are regarded as the ultimate parent company and controlling party.

Arrow Electronics Inc. has included the company in its group accounts. Copies of the accounts of Arrow Electronics Inc. are available from:

Arrow Electronics Inc.
50 Marcus Drive, Melville
New York
11747 USA